

HOUSE BILL REPORT

HB 1242

As Reported by House Committee On: Appropriations

Title: An act relating to focusing the state budgeting process on outcomes and priorities.

Brief Description: Focusing the state budgeting process on outcomes and priorities.

Sponsors: Representatives Linville, Jarrett, Miloscia, Tom, Haigh, Sommers, Pettigrew, Pearson, Clibborn, Kristiansen, O'Brien, Orcutt, Quall, Morris, Lantz, Wallace, Kagi, Grant, Morrell, Chase, Springer, Lovick, Kessler, Dunshee, Appleton, P. Sullivan, Kilmer, Hunter, Upthegrove, Williams, Roberts, Dickerson, Sells, Eickmeyer, Nixon, Kenney and Ormsby.

Brief History:

Committee Activity:

Appropriations: 1/27/05, 2/9/05 [DPS].

Brief Summary of Substitute Bill

- Requires that the Governor communicate statewide priorities to agencies and seek public involvement and input on these priorities.
- Requires that the Office of Financial Management (OFM) regularly review selected activities to determine whether objectives and measurements submitted by agencies demonstrate progress towards statewide results.
- Requires that the OFM consult with the Higher Education Coordinating Board and the State Board for Community and Technical Colleges in those reviews that involve higher education.
- Requires that an agency's budget request contain proposals to remedy or improve programs that are determined to be underachieving or inefficient.
- Requires that the biennial budget document also describe performance indicators that demonstrate measurable progress towards priority results and identify any activities that are not addressing the statewide priorities.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass.
Signed by 22 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Anderson,

Assistant Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Cody, Conway, Darneille, Dunshee, Grant, Haigh, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, McIntire, Miloscia, Pearson, Priest, Schual-Berke and Walsh.

Minority Report: Do not pass. Signed by 6 members: Representatives Alexander, Ranking Minority Member; Bailey, Buri, Clements, Hinkle and Talcott.

Staff: Dave Johnson (786-7154).

Background:

The Budget and Accounting Act establishes the framework for the development, implementation and monitoring of the state budget.

Agency Objectives

For the purpose of assessing program performance, each state agency is required to establish program objectives for each major program in its budget. The objectives must be expressed to the extent practicable in outcome-based, objective, and measurable form.

Performance Monitoring

Each state agency is also required to adopt procedures for continuous self-assessment of each program and activity, using the mission, goals, objectives, and measurements of the agency.

Agency Budget Requests

Budget proposals made by agencies must be directly linked to the agency's stated mission, program goals and objectives. Consistent with this policy, agency budget proposals must include integration of performance measures that allow objective determination of a program's success in achieving its goals.

Governor's Budget Proposal

The Budget and Accounting Act establishes various requirements for the budget documents that the Governor must submit to the Legislature before each regular session. The required documents include the Governor's budget message, which explains the budget and outlines proposed fiscal policies for the period covered by the budget; the budget bill; and other supporting information. The requirement to submit a level of budget detail referred to as activity level has been suspended in recent biennia.

Summary of Substitute Bill:

Findings and Intent

The Legislature finds that agency missions, goals, and objectives should focus on statewide results. The intent of the Legislature is to refocus the state budgeting process on how state agencies produce real results that reflect the goals of statutory programs.

Agency Objectives

Objectives must specifically address the statutory purpose or intent of the activity and focus on data that measure whether the agency is achieving or making progress toward the purpose of the activity and toward statewide priorities.

Agencies are required to develop quality and productivity measures for all major activities instead of the program measures currently required.

Performance Monitoring

The Office of Financial Management (OFM) must regularly conduct reviews of selected activities to analyze whether the objectives and measurements submitted by agencies demonstrate progress toward statewide results. The OFM must consult with the Higher Education Coordinating Board and the State Board for Community and Technical Colleges in those reviews that involve institutions of higher education.

The goal is for all programs to be reviewed at least once each year.

Agency Budget Requests

When a periodic performance review or other analysis determines that the agency's objectives demonstrate that the agency is making insufficient progress toward the goals of any particular program or is otherwise underachieving or inefficient, the agency's budget request must contain proposals to remedy or improve the program.

In reviewing agency budget requests to prepare the Governor's budget request, the OFM will consider the extent to which the agency's activities demonstrate progress toward the statewide priorities along with the results from any periodic performance review of agency activities.

Governor's Budget Proposal

The Governor must communicate statewide priorities to agencies for use in developing budget recommendations for their agency. The Governor must seek public involvement and input on these priorities.

The Governor's operating budget document or documents must reflect statewide priorities. The budget document must also describe performance indicators that demonstrate measurable improvement towards priority policy functions as well as identify any activities that are not addressing statewide priorities.

The Governor's budget document must include a listing of expenditures made outside of the State Treasury rather than listing those activities that are funded from non-appropriated, non-budgeted sources. The requirement, suspended in recent years, to submit certain detail is permanently eliminated.

Substitute Bill Compared to Original Bill:

The substitute bill changed references from "programs" or "programs and activities" to "activities" and changed the term "accountability indicator" to "performance indicator."

Quality and productivity objectives are to be established for major activities rather than all activities as was required in the original bill. Objectives must also address the statutory purpose or intent of an activity instead of only the statutory purpose.

The substitute bill removed the provision that statewide priorities are those identified by the Legislature and the Governor. The substitute bill also permanently eliminates the requirement that OFM submit certain budget detail. That requirement has been temporarily suspended the last two biennia.

Appropriation: None.

Fiscal Note: Available on original bill. New fiscal note requested on 2/10/05.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the budget.

Testimony For: The bill codifies a lot of the processes that OFM uses in the Priorities of Government (POG) process. It also includes other things we aspire to. One of the things that has been missing in the POG process is a review of how well each activity is being accomplished. Without that information, it is hard to do a truly great job of prioritizing those activities. The reviews required in the bill are new and will help that. It is hard to always know what the statutory purpose of a program is and clarification of that would be helpful. It is also most appropriate for the Governor's budget to reflect the Governor's priorities rather than those of the Governor and the Legislature.

Testimony Against: None.

Persons Testifying: Victor Moore, Director, OFM.

Persons Signed In To Testify But Not Testifying: None.